

# Flexible Protection Plan

## Executive Income Protection and Executive Budget Income Protection

### Product Profile

In this document we outline the relevant product information about LV= Executive Income Protection and Executive Budget Income Protection, required for distributors. We set out the product's:

- Distribution strategy.
- Target market and intended value.
- Product description and main features.
- Risks and what's not covered.
- Additional benefits and features.
- Other benefits.

For full details of the terms and conditions of the policy, please refer to the policy conditions.

Details of the governance processes we use to oversee the design, approval and review of our products, how we monitor and assess fair value, and the outcome of our assessments is in our [Product Governance and Fair Value Outcomes](#) document which is on [LVadviser.com](https://www.lvadviser.com).

### Distribution

This product must only be sold on an advised basis (either in person or over the phone). This is to ensure your clients receive the right level of protection and to reduce the risk of their claim being declined due to non-disclosure, or them being over or under insured.

Advice for the client is vital because of the complexity of the calculations involved. Without the support of financial advice there is a risk that the customer may take out more cover than they could claim on.

Advisers are particularly important for customers who are vulnerable at claim stage as these are the type of customers that would benefit from Executive Income Protection and advice on their circumstances the most.

### Target market

#### Characteristics of the target market

This product is designed for businesses that are:

- registered in the UK.
- permanently based in the UK.
- legally capable of owning an insurance policy in the UK.
- a separate legal entity from the person insured, for tax purposes.

Immediately before application the person insured must:

- be a salaried employee of the company owning the policy.
- permanently live in the UK (not including the Channel Islands or Isle of Man).
- have continuously lived in the UK for a period of at least two years immediately before application.
- have been registered with a UK GP for at least two continuous years immediately before application.
- be aged between 17 and 59 years of age.
- be employed by a business who would not be able to maintain the cost of providing their employee with sick pay benefits (without a negative impact to the ongoing trading position and financial commitments of the business), if the person insured has a long-term illness or injury leaving them unable to work.

**The person insured by this policy must meet these requirements, whether this is your client or someone they are insuring.**



## LV= Executive Income Protection suitability and needs

| This product would provide intended value and is suitable for an employer who                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          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| <ul style="list-style-type: none"> <li>✓ is a separate legal entity and is insuring their employee, where the insurable interest exists.</li> <li>✓ wants to cover the associated costs of funding sick pay for the employee they are insuring if that employee becomes unable to work due to illness or injury.</li> <li>✓ wants to protect up to 80% of the person insured's gross income from salary and dividends (assessed at point of claim).</li> <li>✓ is looking for the additional option to protect the cost of funding on going employer pension contributions for the person insured.</li> <li>✓ wants an additional option to protect the cost of their (the employer's) National Insurance Contribution that will be due when the policy pays the person insured.</li> <li>✓ can manage financially (for at least one month) if the person insured were unable to work.</li> <li>✓ understands that the cover expires before the person insured reaches 70, as this is the maximum age.</li> <li>✓ needs cover for at least five years, as this is the minimum term for this policy.</li> <li>✓ has employees that would not receive a suitable level of replacement income from state benefits alone. Or for employees who wouldn't qualify for (or want to rely on) state benefits for replacement income.</li> <li>✓ has employees who have an occupation covered by the policy when it starts.</li> <li>✓ Is comfortable that a waiting period of 1, 2, 3, 6 or 12 months would be appropriate (for some occupations 1 and 2 month waiting periods are not available).</li> <li>✓ might have an affordability issue with the premiums but is comfortable and willing to accept a limited protection period for a single claim for Executive Budget Income Protection.</li> <li>✓ wants the amount of cover to keep up with any increases to the cost of living.</li> <li>✓ wants to cover the person insured if they are on maternity or paternity leave for up to 12 months and suffer an injury or illness that would have meant they were unable to work (had they been working at the time).</li> <li>✓ may need to claim when the person insured is in any of the places listed in their policy conditions. If the person insured is anywhere else in the world, we'll pay the claim for up to 26 weeks they will have to return to a listed place for the claim to continue.</li> <li>✓ already has a group income protection scheme in place but wants to cover the associated costs in providing a key employee with benefits outside of the normal scheme.</li> </ul> | <ul style="list-style-type: none"> <li>✗ has set up their business as a sole trader or is self-employed.</li> <li>✗ wants to insure an employee who already has other forms of accident and sickness insurance in place (for example, mortgage protection, insurance or credit card protection that mean additional protection against loss of income is not needed). This is because we may deduct amounts equal to the payments from other insurances that the person insured has when we pay their claim.</li> <li>✗ is looking for an amount of cover less than £1,200 a year (£100 a month), or more than £300,000 a year (£25,000 a month) for level cover, and £225,000 a year (£18,750 a month) for inflation linked cover.</li> <li>✗ wants to cover more than 80% of the person insured's annual total earnings immediately prior to them being unable to work or more than of £40,000 per year (£3,333 per month).</li> <li>✗ wants to cover more than the actual amount of employer National Insurance Contributions that are due when the benefit is passed to the person insured via PAYE or more than £42,500 a year (£3,542 per month).</li> <li>✗ wants to protect their employee against unemployment, as this policy only protects for loss of income if the person insured is unable to work.</li> <li>✗ would be unable to manage financially for at least one month if the person insured were unable to work due to long-term sickness or injury.</li> <li>✗ has an employee who is able to rely on state benefit payments to provide income replacement.</li> <li>✗ wants to protect their business with a lump sum payout if the person insured suffers a terminal or critical illness or dies.</li> <li>✗ has an employee who is ill but continues to work (whether this is paid or unpaid) following a claim.</li> <li>✗ is not prepared to use of the continuation option if the employee they are insuring leaves.</li> <li>✗ wants to cover their employee for the rest of the employee's life.</li> <li>✗ wants to protect an income that is derived from monies via director's loans or trusts or other tax efficient methods to change their income stream such that it is not subject to Income Tax.</li> <li>✗ does not obtain financial advice from a suitably qualified person.</li> <li>✗ will be unable to demonstrate the taxable earned income of the person insured with required suitable evidence, as we will check these earnings at point of claim.</li> <li>✗ has an employee with multiple sources of income from other occupations or paid employment.</li> </ul> |

## Product Description

Executive Income Protection is designed for small businesses based in the UK to cover regular monthly sickness benefits to key employees (and any associated costs) if their employee (the person insured) become ill or injured and unable to work.

The policy must be arranged, owned, and paid for by the employer on a life of another basis. The business is the owner and must have an insurable interest in the person being insured (the business would suffer financially if the person insured is unable to work). The relationship between the policy owner and the person insured must be that of employer and employee.

When we pay a claim on this policy we pay the policyholder business. They must then pay it to the employee as sick pay on a PAYE basis, or use it for employer pension contributions, or employer National Insurance contributions (where that additional cover has been chosen).

This product is primarily aimed at clients whose employee is in a lower risk job, such as office workers, or those in professional occupations (such as accountants) who wish to provide sickness benefits based on the employee's earned income.

### Main product features

Executive Income Protection covers the person insured for up to 80% of their gross income if they're unable to work due to illness or injury. It is designed for an individual, on a single life basis, if they are unable to do their own occupation.

The maximum monthly benefit is based on earnings immediately before becoming unable to work and can include dividends that the person insured (and their spouse or civil partner) may receive as a result of their contribution to the business, which would cease in the event of their inability to work.

The minimum term is five years, and the policy must end before the insured person reaches the age of 70.

The product offers a choice of waiting periods, 1, 2, 3, 6 or 12 months, or split waiting period options for people who want to take out more than one policy.

### We offer two versions of our Executive Income Protection: Full or Budget

Under Full Executive Income Protection, the person insured will be covered until they're able to return to work, or the policy ends (whichever is soonest).

- Your client can make as many claims as they need to during the policy term. If the claim is for the same illness or injury and within six months of the person insured returning to work, we may be able to start the Executive Income Protection payments again straight away:
  - without having to wait for their waiting period.
  - providing they haven't reached their claim limit.

If the person insured is unable to work because of a different reason, we will treat it as a new claim, and they will need to wait for their waiting period to end before the payments start.

Budget Executive Income Protection is aimed at those clients looking for a lower premium, but whose protection needs can still be met with a limited benefit payment period.

- Budget Executive Income Protection works the same way as our Full Executive Income Protection with just one difference, we'll only pay for a maximum of 12 or 24 months for a single claim (depending on the option chosen when the policy starts), this is called the claim limit.
- Your client can make multiple claims if they need to on either type of Executive Income Protection.

Employers have the option when they apply to also help cover the cost of funding the Employer's pension contributions and Employer's National Insurance Contributions that they will need to pay (based on certain limits), this will be included in the total amount of cover.

### Waiver of Premium

Your client can add Waiver of Premium when they take out their policy, or once it is in place. This will be a separate policy and an additional cost. For more details, refer to the Waiver of Premium Product Profile and Waiver of Premium terms and conditions.

**Your client must continue to pay for their Income Protection (Full or Budget) during a claim if they do not also take out Waiver of Premium cover**

### What we mean by being unable to work

For employed people:

- Not doing any form of work, paid or unpaid.
- If the person insured is unable to carry out the main tasks (things which can't reasonably be left out of their role or changed by them or their employer) of their occupation.

### What we need to validate a claim

When making a claim on this policy, the employer will need to provide the following details: the main duties of the person insured's occupation with them, suitable medical evidence from the person insured's doctor about the illness the employer is claiming for, the person insured's taxable earned income (for example, P60s and payslips). The policy conditions provide the full list of information we may need.

## How we work out how much to pay for each claim

**It is important that you regularly review your client's income to make sure they are not over-insured**

### 1 First

we would usually look at the income the person insured has earned in the 12 months prior to becoming unable to work. We can consider on request looking at up to 36 months if something (an illness for example) has affected their income and a longer period would reflect their normal income more accurately.

### 2 Next

we base the maximum amount we will pay on 80% of those earnings.

### 3 Then

we deduct 100% the following payments:

- from any other illness or injury insurance for the person insured named on this policy.
- any sickness or ill health retirement payments they're receiving.
- other continuing income from their occupation, for example this includes but is not limited to, continuing
- any other taxable payments that the person insured receives that replaces their income (for example this includes but is not limited to, payments from any job retention schemes).

### 4 Finally

we compare the total to the cover amount and would pay the lower of the cover amount or this maximum amount.

#### For the Employer's Pension Contributions:

If your client has chosen to include this in their policy, in the event of a valid claim we will pay this additional amount on top of the main benefit. The amount we'll pay is the lower of:

- the amount you covered for employer's pension contributions as shown on your policy schedule.
- the average of annual employer pension contributions paid on behalf of the person insured, during the three-year period, prior to them being unable to work.
- 30% of the person insured's annual total income in the 12 months immediately prior to them being unable to work.
- a maximum of £40,000 per year.
- the amount of any other insurance received covering employer's pension contributions.

#### For the Employer's National Insurance contributions:

If your client has chosen to include this in their policy, in the event of a valid claim we will pay this additional amount on top of the main benefit. The amount we'll pay is the lower of:

- the additional amount of cover your client asked for at the start of the policy for this purpose, and subsequently increased in line with inflation if inflation linked cover is chosen.
- the actual amount of employer's National Insurance Contributions that the policy owner (as the employer) must pay when the main benefit is passed to the person insured via PAYE as salary, based on the HMRC calculations at the point of claim.
- a maximum of £42,500 per year.

## Risks

- There is no cash in value at any time, so your client cannot get their money back (unless they cancel their policy within the first month).
- The person insured by your client will not be covered if the policy owner stop paying their premiums.
- If anyone named in (or involved in the sale of) the policy commits fraud, or deliberate misrepresents, withholds information or provides us with false information at any point during the lifetime of the policy we may refuse to pay a claim and cancel the policy. We will not refund any of the premiums paid.
- If your client chooses level cover it won't keep up with inflation and could buy less in the future.
- The amount we pay for a claim may reduce any state benefits the person insured might be entitled to.
- With inflation linked cover the amount of cover will rise by the increase in the Retail Prices Index (RPI) and premiums by  $RPI \times 1.5$ .
- The premiums paid by the employer for Executive Income Protection will usually qualify as a business expense where the employee doesn't have a financial interest in the business and the premiums are used 'wholly and exclusively' for the benefit of, and purposes of protecting the business. This is not guaranteed and it's advisable the employer checks this with their accountant and their local HMRC office.
- If the person insured moves to a different employer and their employer sick pay benefits have changed, they may find the policy is no longer appropriate for their needs.
- If the person insured has had a significant drop in income since the policy start date there is a risk that the amount we pay will be less than the cover amount they are paying for, especially if they have been insured for the maximum of 80% of their income. Please see the policy conditions for our definition of income.
- Tax treatment of the premiums paid, and the benefits paid to the employer may change in the future.
- If the person insured has already insured the same income paid by the policy under a separate income protection policy with another insurance company, we will deduct this from the amount we pay under this policy when they claim.
- If we have reason to believe that the policy owner is not using the payments from this policy as they were intended we may ask for evidence that the claim amounts we have paid for income (as salary), employer's pension contributions and employer's National Insurance Contributions are continuing to be paid in line with these policy conditions and with the amounts on the policy schedule throughout the duration of the claim. If we find they are not we can stop paying your claim, or may reduce the amount, we are paying.

### What's not covered

This policy doesn't cover the person insured being unable to work for any other reason apart from illness or injury, for example: bereavement, or because of restricted access to work as a result of a lockdown, quarantine, or periods of mandatory or precautionary isolation.

- We won't pay a claim if the person insured becomes unemployed or is made redundant.
- The policy won't pay out if the person insured continues to work (either paid or unpaid) while ill.
- We will not pay out in the event of a normal pregnancy.
- We'll stop paying a claim if the person insured stops following their doctor's advice, or if they refuse any reasonable medical treatment.
- We won't pay a claim for any illness or injury we've listed as an exclusion in their policy schedule.
- We will not insure income that is treated as 'un-earned' income, for example income received from investments.
- We won't pay the costs of returning home if the person insured becomes unwell while abroad.
- We won't pay out in the event of the death of the person insured.

## Additional Benefits and Features

The product offers the following additional bespoke features as standard and at no added cost (conditions apply), for example:

- **Rehabilitation Support service** – we can offer access to specialist services (even during the waiting period). The maximum we can pay for each service might be capped at three month's benefit and all services offered are at our discretion.

### Guaranteed increase options

The employer can increase the amount of their cover and in some cases replace their policy without completing a full application, following certain events (if the person insured is eligible). If your client changes their amount of cover (using one of the options below) their premium will also change to reflect this. The premium will be based on the age and smoker status of the employee insured at the time of change.

The employer can increase their cover for each of these life events:

- the person insured's basic salary increases by more than 10%.
- a change in the legislation governing employer's National Insurance Contributions.
- a change in legislation governing pension contributions.

Please see the policy conditions for more details of all additional features and general limits.

### Costs

The policy premium also includes a fee, which is a fixed monthly amount, to cover administration and support costs.

## Other benefits

### LV= Business Care

Your client will have access to LV= Business Care which offers free practical advice on business legal advice, tax and VAT advice

### LV= Membership

By taking out this product your client (the policy owner) will agree to become a member of Liverpool Victoria Financial Services Limited (LV=). As LV= is a mutual we are owned by our members, which means our members have a say on how the company is run. Our members also get access to a range of LV= benefits. To see the full range, and any conditions that may apply, visit [LV.com/benefits](https://lv.com/benefits)

### LV= Doctor Services

The person insured (the employee), their spouse or partner and their children have access to a number of medical services and advice. These include virtual GP consultations, prescription, second opinion services, remote physiotherapy, remote psychological services and discounted health MOTs.

These benefits are noncontractual and can be changed or removed at any time (conditions apply). For more details visit

[LV.com/doctor-services](https://lv.com/doctor-services)

**LV= Doctor Services is provided by Square Health Limited. This service is not regulated by the Financial Conduct Authority or Prudential Regulation Authority**

To find out more about the LV= Flexible Protection Plan,  
please contact your LV= Account Manager on



**0800 678 1890**



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If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

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